

QUARTERLY REPORT

LICENSEE: BOARDWALK REGENCY CORPORATION (Caesars Atlantic City)

FOR THE QUARTER ENDED SEPTEMBER 30, 2004

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

BALANCE SHEETS

AS OF SEPTEMBER 30, 2004 AND 2003

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	ASSETS		
	Current Assets:		
1	Cash and Cash Equivalents.....	\$ 18,396	\$ 19,070
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts-(2004, \$7,721; 2003, \$7,016)..... Note 2	128,787	105,374
4	Inventories..... Note 1	2,385	2,717
5	Prepaid Expenses and Other Current Assets.....	5,314	3,672
6	Total Current Assets.....	154,882	130,833
7	Investments, Advances, and Receivables..... Note 3	18,823	17,149
8	Property and Equipment - Gross..... Notes 1, 4 & 10	933,931	898,756
9	Less: Accumulated Depreciation and Amortization.....	(401,591)	(367,656)
10	Property and Equipment - Net.....	532,340	531,100
11	Other Assets..... Note 5	16,559	31
12	Total Assets.....	\$ 722,604	\$ 679,113
	LIABILITIES AND EQUITY		
	Current Liabilities:		
13	Accounts Payable.....	\$ 11,394	\$ 4,152
14	Notes Payable..... Note 6	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates..... Note 9	-	-
16	Other..... Note 10	28	140
17	Income Taxes Payable and Accrued..... Note 1	-	-
18	Other Accrued Expenses..... Note 7	30,865	31,015
19	Other Current Liabilities..... Note 8	70,663	56,464
20	Total Current Liabilities.....	112,950	91,771
	Long-Term Debt:		
21	Due to Affiliates..... Note 9	518,330	518,330
22	Other..... Note 10	692	720
23	Deferred Credits.....	-	-
24	Other Liabilities.....	6,134	5,748
25	Commitments and Contingencies		
26	Total Liabilities.....	638,106	616,569
27	Stockholders', Partners', or Proprietor's Equity.....	84,498	62,544
28	Total Liabilities and Equity.....	\$ 722,604	\$ 679,113

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	Revenue:		
1	Casino.....Note 1.....	\$ 382,628	\$ 395,244
2	Rooms.....	27,647	27,155
3	Food and Beverage.....	47,636	53,611
4	Other.....	16,141	16,325
5	Total Revenue.....	474,052	492,335
6	Less: Promotional Allowances.....Note 1.....	95,086	102,745
7	Net Revenue.....	378,966	389,590
	Costs and Expenses:		
8	Cost of Goods and Services.....	200,501	207,946
9	Selling, General, and Administrative.....	54,068	43,753
10	Provision for Doubtful Accounts.....	2,146	1,535
11	Total Costs and Expenses.....	256,715	253,234
12	Gross Operating Profit.....	122,251	136,356
13	Depreciation and Amortization.....Note 1.....	25,982	28,253
	Charges from Affiliates Other than Interest:		
14	Management Fees.....Note 11.....	12,459	12,573
15	Other.....Note 11.....	4,870	4,807
16	Income (Loss) from Operations.....	78,940	90,723
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....Note 6 & 9.....	(32,447)	(32,843)
18	Interest (Expense) - External.....Note 10.....	(354)	(354)
19	Investment Alternative Tax and Related Income (Expense)Note 1.....	(2,062)	(1,868)
20	Nonoperating Income (Expense) - Net.....Note 1 & 12.....	(5,057)	650
21	Total Other Income (Expenses).....	(39,920)	(34,415)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	39,020	56,308
23	Provision (Credit) for Income Taxes.....Note 1.....	17,658	23,574
24	Income (Loss) Before Extraordinary Items.....	21,362	32,734
	Extraordinary Items (Net of Income Taxes -		
25	20__, \$; 20__, \$).....		
26	Net Income (Loss).....	\$ 21,362	\$ 32,734

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	Revenue:		
1	Casino.....Note 1.....	\$ 138,625	\$ 139,462
2	Rooms.....	10,131	9,333
3	Food and Beverage.....	17,038	19,047
4	Other.....	5,976	5,560
5	Total Revenue.....	171,770	173,402
6	Less: Promotional Allowances.....Note 1.....	34,008	35,722
7	Net Revenue.....	137,762	137,680
	Costs and Expenses:		
8	Cost of Goods and Services.....	70,098	72,977
9	Selling, General, and Administrative.....	19,994	14,681
10	Provision for Doubtful Accounts.....	702	355
11	Total Costs and Expenses.....	90,794	88,013
12	Gross Operating Profit.....	46,968	49,667
13	Depreciation and Amortization.....Note 1.....	8,484	8,445
	Charges from Affiliates Other than Interest:		
14	Management Fees.....Note 11.....	4,537	4,289
15	Other.....Note 11.....	1,614	1,634
16	Income (Loss) from Operations.....	32,333	35,299
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....Note 6 & 9.....	(10,688)	(11,105)
18	Interest (Expense) - External.....Note 10.....	(116)	(116)
19	Investment Alternative Tax and Related Income (Expense) -.....Note 1.....	(692)	(486)
20	Nonoperating Income (Expense) - Net.....Note 1 & 12.....	(5,264)	217
21	Total Other Income (Expenses).....	(16,760)	(11,490)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	15,573	23,809
23	Provision (Credit) for Income Taxes.....Note 1.....	6,935	10,298
24	Income (Loss) Before Extraordinary Items.....	8,638	13,511
	Extraordinary Items (Net of Income Taxes -		
25	20__, \$; 20__, \$).....		
26	Net Income (Loss).....	\$ 8,638	\$ 13,511

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2004

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated) (Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2002.....	100	\$ 1,370		\$	\$ 46,065	\$	\$ (17,625)	\$ 29,810
2	Net Income (Loss) - 2003.....							33,326	33,326
3	Contribution to Paid-in-Capital.....								-
4	Dividends.....								-
5	Prior Period Adjustments.....								-
6									-
7									-
8									-
9									-
10	Balance, December 31, 2003.....	100	1,370	-	-	46,065	-	15,701	63,136
11	Net Income (Loss) - September 30, 2004..							21,362	21,362
12	Contribution to Paid-in -Capital.....								-
13	Dividends.....								-
14	Prior Period Adjustments.....								-
15									-
16									-
17									-
18									-
19	Balance, September 30, 2004.....	100	\$ 1,370	-	\$	\$ 46,065	\$ -	\$ 37,063	\$ 84,498

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
1	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ 44,598	\$ 63,191
	CASH FLOWS FROM INVESTING ACTIVITIES:		
2	Purchase of Short-Term Investment Securities.....	-	-
3	Proceeds from the Sale of Short-Term Investment Securities.....	-	-
4	Cash Outflows for Property and Equipment.....	(36,832)	(22,483)
5	Proceeds from Disposition of Property and Equipment.....	544	431
6	Purchase of Casino Reinvestment Obligations.....	(4,830)	(5,000)
7	Purchase of Other Investments and Loans/Advances made.....	1,841	1,623
8	Proceeds from Disposal of Investments and Collection of Advances and Long-Term Receivables.....	-	-
9	Cash Outflows to Acquire Business Entities.....	-	-
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(39,277)	(25,429)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
13	Cash Proceeds from Issuance of Short-Term Debt.....	-	-
14	Payments to Settle Short-Term Debt.....	-	-
15	Cash Proceeds from Issuance of Long-Term Debt.....	-	-
16	Costs of Issuing Debt.....	-	-
17	Payments to Settle Long-Term Debt.....	(33)	(284)
18	Cash Proceeds from Issuing Stock or Capital Contributions.....	-	-
19	Purchases of Treasury Stock.....	-	-
20	Payments of Dividends or Capital Withdrawals.....	-	-
21			
22	Borrowings/Payments of Intercompany Payable.....	(15,829)	(55,469)
23	Net Cash Provided (Used) By Financing Activities.....	(15,862)	(55,753)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....	(10,541)	(17,991)
25	Cash and Cash Equivalents at Beginning of Period.....	28,937	37,061
26	Cash and Cash Equivalents at End of Period.....	\$ 18,396	\$ 19,070
	CASH PAID DURING PERIOD FOR:		
27	Interest (Net of Amount Capitalized).....	\$ 32,747	\$ 33,141
28	Income Taxes.....	\$ 17,658	\$ 23,574

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	NET CASH FLOWS FROM OPERATING ACTIVITIES:		
29	Net Income (Loss).....	\$ 21,362	\$ 32,734
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment.....	25,972	28,240
31	Amortization of Other Assets.....	10	13
32	Amortization of Debt Discount or Premium.....	-	-
33	Deferred Income Taxes - Current.....	-	-
34	Deferred Income Taxes - Noncurrent.....	-	-
35	(Gain) Loss on Disposition of Property and Equipment.....	(66)	(431)
36	(Gain) Loss on Casino Reinvestment Obligations.....	2,062	1,868
37	(Gain) Loss from Other Investment Activities.....	-	-
	Net (Increase) Decrease in Receivables and Patrons'		
38	Checks.....	(3,020)	1,210
39	Net (Increase) Decrease in Inventories.....	441	420
40	Net (Increase) Decrease in Other Current Assets.....	(2,090)	(835)
41	Net (Increase) Decrease in Other Assets.....	(16,531)	26
42	Net Increase (Decrease) in Accounts Payable.....	4,667	(10,640)
	Net Increase (Decrease) in Other Current Liabilities		
43	Excluding Debt.....	6,154	10,310
	Net Increase (Decrease) in Other Noncurrent Liabilities		
44	Excluding Debt.....	294	276
45	Impairment Loss.....	5,343	-
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 44,598	\$ 63,191

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:		
48	Additions to Property and Equipment.....	\$ 36,832	\$ 22,483
49	Less: Capital Lease Obligations Incurred.....		
50	Cash Outflows for Property and Equipment.....	\$ 36,832	\$ 22,483
	ACQUISITION OF BUSINESS ENTITIES:		
51	Property and Equipment Acquired.....		
52	Goodwill Acquired.....		
	Net Assets Acquired Other than Cash, Goodwill, and		
53	Property and Equipment.....		
54	Long-Term Debt Assumed.....		
55	Issuance of Stock or Capital Invested.....		
56	Cash Outflows to Acquire Business Entities.....	\$ -	\$ -
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:		
57	Total Issuances of Stock or Capital Contributions.....		
58	Less: Issuances to Settle Long-Term Debt.....		
59	Consideration in Acquisition of Business Entities.....		
60	Cash Proceeds from Issuing Stock or Capital Contributions.....	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: BOARDWALK REGENCY CORPORATION (Caesars Atlantic City)

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	451,365	\$ 18,410		
2	Food	1,627,404	23,212		
3	Beverage	2,891,868	10,043		
4	Travel			57,861	\$ 3,590
5	Bus Program Cash	471,497	7,170		
6	Other Cash Complimentaries	554,569	30,575		
7	Entertainment	101,191	2,759	40,473	1,235
8	Retail & Non-Cash Gifts	107,189	2,507	103,972	11,029
9	Parking	28,759	29	28,759	86
10	Other*	2,967	381	177,009	1,719
11	Total	6,236,809	\$ 95,086	408,074	\$ 17,659

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2004

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	159,480	\$ 6,554		
2	Food	595,144	8,128		
3	Beverage	961,130	3,624		
4	Travel			6,656	\$ 1,293
5	Bus Program Cash	174,652	2,728		
6	Other Cash Complimentaries	185,861	11,013		
7	Entertainment	18,035	883	16,191	571
8	Retail & Non-Cash Gifts	37,811	891	34,038	4,280
9	Parking	28,759	29	28,759	86
10	Other*	1,646	158	71,497	608
11	Total	2,162,518	\$ 34,008	157,141	\$ 6,838

* No single item within "Other" exceeds 5% of the total.

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and basis of presentation

Boardwalk Regency Corporation (the "Company"), a New Jersey corporation, is a wholly owned subsidiary of Caesars New Jersey, Inc. ("CNJ"), a New Jersey corporation. The Company owns and operates Caesars Atlantic City Hotel/Casino ("CAC") in Atlantic City, New Jersey. CNJ is a wholly owned subsidiary of Caesars World, Inc. ("CWI"), a Florida corporation, and CWI is a wholly owned subsidiary of Caesars Entertainment, Inc. ("CEI"). In early January 2004, CEI changed its name from Park Place Entertainment to Caesars Entertainment. The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations. The accompanying financial statements should be read in conjunction with the Casino Control Commission Quarterly Report for the year ended December 31, 2003.

All adjustments to these financial statements have been recorded and are, in the opinion of management, necessary for a fair presentation of the balance sheets for the Company at September 30, 2004 and 2003, and its statements of income for the three and nine months ended September 30, 2004 and 2003 and its statements of cash flows for the nine months ended September 30, 2004 and 2003. All such adjustments were of a normal recurring nature.

Seasonal factors

The Company's operations are subject to seasonal factors and, therefore, the results of operations of the three and nine months ended September 30, 2004 and 2003 are not necessarily indicative of the results of operations for the full year.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

Revenue recognition and promotional allowances

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The Statement of Income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

Property and equipment

Property and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated economic lives of the related assets. Depreciation expense was \$8,481 and \$8,440 for the three months ended September 30, 2004 and 2003, respectively; and \$25,972 and \$28,240 for the nine months ended September 30, 2004 and 2003, respectively.

<u>Asset class</u>	<u>Life</u>
Buildings	40 years
Building improvements	3-10 years
Furniture, Fixtures and Equipment	3-10 years

Connection Card Program

During the 2nd quarter of 2003, the Company implemented the Connection Card Program. The Connection Card Program allows players to earn credits that may be accumulated over time and redeemed at their discretion at any CEI casino in the United States in accordance with the rules of the program. The Company records an estimated liability for the incremental cost of providing goods and services under the program at the time the credits are earned.

Fair values of financial instruments

The fair values of the Company's financial instruments including receivables, payables and debt, approximate their recorded book values at September 30, 2004 and 2003.

Accounting Pronouncements

In November 2002, the FASB issued Interpretation No ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others." FIN No. 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation apply to guarantees issued or modified after December 31, 2002. Implementation of this Interpretation did not have a material impact on the Company's financial statements.

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

In 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 addresses consolidation of entities that are not controllable through voting interest or in which the equity investors do not bear the residual economic risks and rewards. These entities have commonly been referred to as special purpose entities. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the interest in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. Implementation of this Interpretation did not have a material impact on the Company's financial statements, as the Company does not have any variable interest entities.

Income taxes

Taxable income or loss of the Company is included in the consolidated Federal income tax return of CEI. The Company provides for income taxes by applying the respective state and federal statutory rates to pre-tax financial statement income. The corresponding liability or receivable is credited or charged to its corporate parent. Deferred income taxes and liabilities for temporary differences between the carrying amounts for financial reporting and income tax purposes, if any, are accounted for by CEI in accordance with the tax sharing agreement between CEI and the Company.

New Jersey tax legislation

The New Jersey State Legislature passed a bill to increase taxes on the New Jersey casino industry, beginning in the State's fiscal year 2004 (starting July 1, 2003). Included in this legislation is a tax on net profits, taxes on certain complimentarys, and increases in parking, rooms and other fees. Profits tax expense is reflected in the provision for income taxes. Other taxes are reflected in selling, general and administrative expenses.

Casino Reinvestment Development Authority

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with the Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

The twelve Atlantic City casino properties (the "AC Industry") and the CRDA have entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry will provide \$34 million over a four year period to the NJSEA and must deposit another \$62 million into the Casino Expansion Fund (managed by the CRDA). The \$62 million will be derived from funds either currently on deposit or to be deposited with the CRDA pursuant to each casino property's investment obligation. The Company's obligation is equal to its fair-share of AC Industry casino revenues. The Company estimates this commitment over the four year period to be \$3,700 the first payment of which is to be made November 2004. This amount will be charged to operations on a straight line basis through January 1, 2009. Once the Company meets its deposit obligation related to its fair share of the \$62 million, the Company is eligible to receive funds from the Casino Expansion Fund for qualified construction expenditures. The Company has until June 30, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

Allocations and transactions with related parties

The Company transfers cash in excess of its operating needs to CEI on a daily basis. CEI provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other CEI affiliates are consolidated, including limousine services, advertising, sales and marketing services, purchasing and other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable.

Beginning with the first quarter of 2004, the Company was allocated from CEI certain expenses, such as information technology, internal audit and risk management, which historically were considered corporate expenses. These expenses are allocated to the Company using various formulas based on estimates of utilization of such expenses. Management believes that the methods used to allocate these costs are reasonable.

Merger Agreement

On July 14, 2004, CEI, Harrah's Entertainment, Inc. ("Harrah's") and Harrah's Operating Company, Inc., a wholly-owned subsidiary of Harrah's, entered into an Agreement and Plan of Merger (the "Merger Agreement"), providing for the merger of CEI with and into Harrah's Operating Company, Inc., which would be the surviving corporation.

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

The transaction with Harrah's is subject to a number of conditions, including, among other things the approval and adoption of the Merger Agreement by the stockholders of CEI and Harrah's and upon receipt of all necessary antitrust, gaming and other approvals, and the satisfaction or waiver of all other conditions precedent.

Sale of Apartment Building

During the third quarter, the Company entered into an agreement to sell an apartment building in Atlantic City for \$16,500. As a result of the pending sale, the Company recorded an impairment loss of approximately \$5,343 which is reflected in Nonoperating Expense on its Statements of Income, in accordance with Statement of Financial Accounting Standard No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment of long-lived assets, and for long-lived assets to be disposed of, and expands current reporting for discontinued operations to include disposals of a "component" of an entity that has been disposed of or is classified as held for sale. On October 18, 2004 the Company closed on the transaction.

NOTE 2 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Casino receivables (net of allowance for doubtful accounts – 2004, \$7,484; 2003, \$6,562)	\$ 12,095	\$ 11,705
Other (net of allowance for doubtful accounts – 2004, \$237; 2003, \$454)	7,219	4,644
Due from CEI	108,616	88,270
Due from other affiliates	<u>857</u>	<u>755</u>
	<u>\$128,787</u>	<u>\$105,374</u>

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 3 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
CRDA deposits	\$ 16,902	\$ 14,585
CRDA bonds receivable	3,074	2,920
CRDA Seat License Agreement	4,386	4,861
CRDA Long-term note receivable	844	873
CRDA Donations	537	-
Other, net	<u>20</u>	<u>36</u>
	25,763	23,275
Less: valuation allowance on CRDA investments	<u>(6,940)</u>	<u>(6,126)</u>
	<u>\$ 18,823</u>	<u>\$ 17,149</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Land	\$ 119,145	\$ 118,090
Buildings and improvements	556,518	546,645
Furniture, fixtures and equipment	228,395	225,474
Construction in progress	<u>29,873</u>	<u>8,547</u>
	933,931	898,756
Less accumulated depreciation and amortization	<u>(401,591)</u>	<u>(367,656)</u>
	<u>\$ 532,340</u>	<u>\$ 531,100</u>

NOTE 5 – OTHER ASSETS

During May 2003, the Company entered into an agreement to lease the Ocean One Pier (the “Pier”) to Pier Developers, Inc (the “Developer”) for an initial term of 75 years. The 75 year term commences upon completion of the Pier’s construction which is currently expected to be summer 2005. The lease agreement provides for the repayment of certain qualified pier development costs incurred by the Developer.

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

As financing for the qualified pier development costs, the Company and certain of its Atlantic City affiliates entered into a credit agreement (the "Credit Agreement") with the CRDA. The Credit Agreement provides for funding from the CRDA of up to \$33 million for qualified development costs. The CRDA funding will come from amounts either currently on deposit or to be deposited with the CRDA pursuant to the Company's and its affiliates' investment obligations. Repayments to the Developer are limited to the funds received from the CRDA.

As of September 30, 2004, the Company repaid the Developer approximately \$16.5 million through CRDA funds previously deposited by an affiliate. These payments are considered lease incentive payments and will be amortized over the life of the lease.

NOTE 6 – NOTES PAYABLE

At December 31, 2000, the Company entered into an uncommitted \$50,000 credit facility with Caesars Entertainment Finance Corporation (CEFC), a wholly owned subsidiary of CEI. At September 30, 2004 and 2003, respectively, there was no outstanding balance.

NOTE 7 - OTHER ACCRUED EXPENSES

Other accrued expenses as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Accrued payroll and benefits	\$12,772	\$13,521
Insurance claims	4,112	4,572
Real estate taxes	3,432	3,215
Other	<u>10,549</u>	<u>9,707</u>
	<u>\$30,865</u>	<u>\$31,015</u>

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 8- OTHER CURRENT LIABILITIES

Other current liabilities as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Due to affiliates	\$59,472	\$48,796
Unredeemed slot promotions liability	3,441	1,444
Unredeemed chip and token liability	2,039	1,637
Connection Card liability	3,426	2,734
Other	<u>2,285</u>	<u>1,853</u>
	<u>\$70,663</u>	<u>\$56,464</u>

NOTE 9 - LONG-TERM DEBT - DUE TO AFFILIATES

Long-term debt - due to affiliates as of September 30, 2004 and 2003, respectively consists of a Caesars Entertainment Finance Corp note due December 31, 2010 at 8.50%.

NOTE 10 - LONG-TERM DEBT, OTHER

Long-term debt, other as of September 30 consists of the following:

	<u>2004</u>	<u>2003</u>
Mortgage Note due October 15, 2011		
Interest at 10.0%	\$ 720	\$ 746
Capitalized lease obligation, net of amounts representing interest	<u>-</u>	<u>114</u>
	720	860
Less: current maturities	<u>(28)</u>	<u>(140)</u>
	<u>\$ 692</u>	<u>\$ 720</u>

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 11 – CHARGES FROM AFFILIATES - MANAGEMENT FEE

The Company has recorded expenses for the three months ended September 30 from CWI and affiliates as follows:

		<u>2004</u>	<u>2003</u>
<u>Affiliate</u>	<u>Transaction</u>		
Caesars World, Inc.	Management fee	\$ 4,537	\$ 4,289
Caesars Palace Corp.	Trade name fee	<u>1,614</u>	<u>1,634</u>
		<u>\$ 6,151</u>	<u>\$ 5,923</u>

The Company has recorded expenses for the nine months ended September 30 from CWI and affiliates as follows:

		<u>2004</u>	<u>2003</u>
<u>Affiliate</u>	<u>Transaction</u>		
Caesars World, Inc.	Management fee	\$ 12,459	\$12,573
Caesars Palace Corp.	Trade name fee	<u>4,870</u>	<u>4,807</u>
		<u>\$17,329</u>	<u>\$17,380</u>

NOTE 12 - NONOPERATING INCOME (EXPENSE) - NET

Nonoperating income (expense) for the three months ended September 30 consists of the following:


	<u>2004</u>	<u>2003</u>
Interest income	\$ 79	\$ 69
Impairment loss	(5,343)	-
Gain (loss) on disposal of equipment	<u>-</u>	<u>148</u>
	<u>\$(5,264)</u>	<u>\$ 217</u>

Nonoperating income (expense) for the nine months ended September 30 consists of the following:

	<u>2004</u>	<u>2003</u>
Interest income	\$ 220	\$ 219
Impairment loss	(5,343)	-
Gain (loss) on disposal of equipment	<u>66</u>	<u>431</u>
	<u>\$(5,057)</u>	<u>\$ 650</u>

STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2 (b) 1-5 during the quarter.



Signature

Vice President/Controller

Title

#6908-11

License Number

On Behalf Of:

Boardwalk Regency Corporation

Casino Licensee